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PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA  
HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF AMENDMENT BILL (NO. 3) 1986

EXPLANATORY MEMORANDUM

(Circulated by the Authority of  
the Minister for Industry, Technology and Commerce,  
Senator the Honourable John N. Button)



CUSTOMS TARIFF AMENDMENT BILL (NO. 3) 1986

OUTLINE

The purpose of this Bill, which includes fifteen Schedules, is to enact a range of changes to the Customs Tariff Act 1982.

Seven Schedules, 1, 3, 6, 7, 9, 10 and 12, contain adjustments to Customs tariff rates applicable to imported petroleum products. The changes exactly match variations in the rates of excise applicable to locally produced products. The adjustments to the excise rates were made because of adjustments to the price of indigenous crude oil under the Government's Import Parity Pricing Policy.

Schedule 2 contains changes to remove the Customs duty from certain agricultural chemicals and cultivation equipment. These changes arise from the Government's Economic and Rural Policy Statement.

Schedule 4 covers the tariff changes arising from the Government's decision on the Industries Assistance Commission's report on Electric Motors and Generating Sets.

Schedule 5 permits the duty free entry of certain lawnmowers imported from New Zealand. This change follows a review of the intermediate goods compensating charge applied under Article 14 of the Australia New Zealand Closer Economic Relations - Trade Agreement.

Schedule 8 contains 4 separate tariff changes:

- . the removal of the 2% revenue duty on sulphur as a result of the findings of the Government Study Group on Fertiliser Production and Consumption in Australia and the Industries Assistance Commission's report on Fertilisers;

- . the continuation of the application of the Government's decision on the Industries Assistance Commission's report on Electric Motors and Generating Sets;
- . the removal of the duty applicable to furniture and parts therefor from New Zealand following mutual agreement by Australia and New Zealand under Part VII of Annex C of the Australia New Zealand Closer Economic Relations - Trade Agreement; and
- . the correction of a drafting anomaly in item 31 in Part I of Schedule 4 to the Principal Act.

Schedule 11 contains changes arising from the 1986 - 87 Budget. The rates of duty on petroleum products are increased and the excise component of the duties on manufactured tobacco is equated with the excise component of the duty on cigarettes.

Schedule 13 contains changes to permit the duty free entry of certain parts for use in the repair of ships in Australia.

Schedule 14 contains the changes in rates of duty applicable to imported goods arising from the Government's decision on the Industries Assistance Commission's report on Book Production.

Schedule 15 contains provisions for the implementation, if necessary, of a General tariff rate of \$2 100 per tonne for imports of cheese and curd in excess of the 1985-86 level of 11 500 tonnes.

FINANCIAL IMPACT

The revenue implications for the changes in Schedules 1, 3, 6, 7, 9, 10 and 12 relating to petroleum products are based on changes in the levels of excise revenues. The increases in refined petroleum product excise rates effective from 15 March, 17 April and 17 May 1986 were expected to result in an increase in revenue of about \$570 million in 1985/86 and an increase of \$2 070 million is expected in 1986/87. The 14 June decrease in excise rates was expected to reduce revenue by about \$6 million in 1985/86 and a decrease of \$90 million is expected in 1986/87. The 18 July and 16 August increases are estimated to increase revenue by about \$307 million in 1986/87. The 13 September decrease is expected to reduce revenue by about \$727 million in 1986/87.

All the changes in the rates of excise on petroleum products have been made to offset the estimated revenue loss or gain to the Commonwealth caused by the adjustments to the Import Parity Price for locally produced crude oil. At the time of the 1 March 1986 Import Parity Price adjustment, 75% of the revenue loss from crude oil was estimated to be recouped through higher excise rates on petroleum products. For the adjustments on 1 April, 1 May, 1 July and 1 August, the full amounts of the estimated loss in revenue were to be recouped. In the upward 1 June 1986 Import Parity Price adjustment, excise rates on refined petroleum products were reduced to fully offset the estimated gain from the crude oil levy. Similarly with the 1 September Import Parity Price adjustment no additional tax revenue will be recovered by the Government as a result of the increase in the price of indigenous crude oil.

The removal of the 2% duty on certain agricultural chemicals is estimated to be at a cost to the revenue of approximately \$0.25 million per annum. About \$2 million per annum will be foregone in regard to the removal of duties on cultivation machinery.

The changes resulting from the Industries Assistance Commission's report on Electric Motors and Generating Sets may result in some loss to revenue but this cannot be accurately predicted.

The removal of the duty on lawnmowers from New Zealand is estimated to result in a reduction in revenue of approximately \$160 000 per annum. The loss in regard to furniture from New Zealand could be approximately \$400 000 based on duty paid in 1985/86.

Approximately \$1 million per annum will be waived by the removal of the 2% duty on sulphur.

The increases in excise duty and Customs duty on petroleum products contained in the Budget are estimated to result in increases in Government revenue of \$625 million in 1986/87 and \$715 million in a full year.

The Government's decision on book production is expected to result in a loss of Customs duty of \$0.5 million per annum.

The changes in relation to manufactured tobacco in the Budget are expected to result in an increase in excise and Customs duty collections of approximately \$2 million per annum.

The possible imposition of a General tariff rate of \$2 100 per tonne on cheese and curd could result in some revenue gain if imports exceed the 1985-86 level of 11 500 tonnes.

The net financial impact of the restoration of duty free admission of parts for use in ship repair will be negligible.

There are no significant administrative costs associated with the Bill.





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DETAILED DESCRIPTION OF THE BILL

A Bill for an Act to amend the Customs Tariff Act 1982

Clause 1 - Citation - Customs Tariff Amendment Act (No. 3)  
1986

Clause 2 - Date of Commencement - date of Royal Assent  
except as otherwise  
provided

Section 3	-	15 March 1986
Section 4	-	15 April 1986
Section 5	-	17 April 1986
Section 6	-	18 April 1986
Section 7	-	1 May 1986
Section 8	-	17 May 1986
Section 9	-	14 June 1986
Section 10	-	1 July 1986
Section 11	-	18 July 1986
Section 12	-	16 August 1986
Section 13	-	eight o'clock in the evening by standard time in the Australian Capital Territory on 19 August 1986

Section 14	-	13 September 1986
Section 15	-	10 October 1986
Section 16	-	1 January 1987
Section 17	-	A date to be proclaimed

Clause 3 - Provides that amendments in Schedule 1 shall operate from 15 March 1986

- . Covers - amendments to rates of Customs duty corresponding to altered rates of excise duty on certain refined petroleum products resulting from the Government's decision on pricing of indigenous crude oil set under the Import Parity Pricing Policy. The excise duty on motor spirit and diesel is increased by 5.329 cents per litre. Increases for aviation gasoline and aviation kerosene are 4.486 cents per litre and 4.262 cents per litre respectively. For other kerosene, fuel and heating oil the increase is 1.105 cents per litre.

Clause 4 - Provides that amendments in Schedule 2 shall operate from 15 April 1986

- . Covers - the removal of the 2% revenue duty on certain agricultural chemicals falling within tariff item 38.11 of Schedule 3 to the Principal Act, resulting in a Free rate of duty. These changes arise from the Government's Economic and Rural Policy Statement;

- the removal of duty on machinery falling within item 84.24 in Schedule 3 to the Principal Act. The Government's Economic and Rural Policy Statement announced the removal of duty on certain cultivation machinery and its replacement by bounty assistance. The Government subsequently accepted the IAC's suggestion in its report on Cultivation Machinery that this action be extended to all goods falling within item 84.24 in Schedule 3 to the Principal Act.

Clause 5 - Provides that amendments in Schedule 3 shall operate from 17 April 1986

- . Covers - amendments to rates of Customs duty corresponding to altered rates of excise duty on certain refined petroleum products resulting from the Government's decision on pricing of indigenous crude oil set under the Import Parity Pricing Policy. The excise duty on motor spirit and diesel is increased by 2.622 cents per litre. Increases for aviation gasoline and aviation kerosene are 2.207 cents per litre and 2.097 cents per litre respectively.

For other kerosene, fuel and heating oil the increase is 0.544 cents per litre.

Clause 6 - Provides that amendments in Schedule 4 shall operate from 18 April 1986

. Covers - changes arising from the Government's decision on the Industries Assistance Commission's report on Electric Motors and Generating Sets. The long term General tariff rate for alternating current and universal electric motors remains at 25%; alternating current generating sets having a rating not exceeding 5 kVA are phasing from a General tariff rate of 25% to 15%; alternating current generating sets having a rating exceeding 5 kVA but not exceeding 25 kVA are phasing from 20% to 15% and other alternating current generating sets not exceeding 500 kVA are dutiable at a 15% General tariff rate.

Clause 7 - Provides that the amendment in Schedule 5 shall operate from 1 May 1986

- . Covers - the reduction of the duty applicable to certain engine powered lawnmowers imported from New Zealand following a review of the intermediate goods compensating charge applied under Article 14 of the Australia New Zealand Closer Economic Relations - Trade Agreement.

The duty rate applicable to lawnmowers from New Zealand is accordingly reduced from 5% to Free by the omission of item 193 in Schedule 5 to the Principal Act.

Clause 8 - Provides that amendments in Schedule 6 shall operate from 17 May 1986

- . Covers - amendments to rates of Customs duty corresponding to altered rates of excise duty on certain refined petroleum products resulting from the Government's decision on pricing of indigenous crude oil set under the Import Parity Pricing Policy. The excise duty on motor spirit and diesel is increased by 0.812 cents per litre. Increases for aviation gasoline and aviation kerosene are 0.684 cents per litre and 0.649 cents per litre respectively. For other kerosene, fuel and heating oil the increase is 0.168 cents per litre.

Clause 9 - Provides that amendments in Schedule 7 shall operate from 14 June 1986

- . Covers - amendments to rates of Customs duty corresponding to altered rates of excise duty on certain refined petroleum products resulting from the Government's decision on pricing of indigenous crude oil set under the Import Parity Pricing Policy. The excise duty on motor spirit and diesel is decreased by 0.378 cents per litre. Decreases for aviation gasoline and aviation kerosene are 0.318 cents per litre and 0.302 cents per litre respectively. For other kerosene, fuel and heating oil the decrease is 0.078 cents per litre.

Clause 10 - Provides that amendments in Schedule 8 shall operate from 1 July 1986

- . Covers - a change arising from the Government's decision on the Report of the Government Study Group on Fertiliser Production and Consumption in Australia and the Industries Assistance Commission's report on Fertilisers. The change removes the 2% revenue duty on sulphur falling within tariff item 25.03 in Schedule 3 to the Principal Act, resulting in a Free rate of duty;

- amendments to tariff item 85.01 in Schedule 3 to the Principal Act to include relevant changes caused by the incorporation of the Revised System of Tariff Preferences for Developing Countries into the tariff structure resulting from the Industries Assistance Commission's report on Electric Motors and Generating Sets. There is no change to duty rates resulting from the Government's decision on the IAC's report. (See Schedule 4 to this Bill);
- an amendment to correct a drafting anomaly involving the numbering of a sub-section of the Customs Act 1901 specified in item 31 of Part I of Schedule 4 to the Principal Act; and
- an amendment to implement new arrangements to apply to certain furniture and parts therefor following a mutual agreement by Australia and New Zealand under the Australia New Zealand Closer Economic Relations - Trade Agreement. Each country has agreed to bring forward by twelve months the granting of duty free entry for goods from the other country.



Clause 11 - Provides that amendments in Schedule 9 shall operate from 18 July 1986

- . Covers - amendments to rates of Customs duty corresponding to altered rates of excise duty on certain refined petroleum products resulting from the Government's decision on pricing of indigenous crude oil set under the Import Parity Pricing Policy. The excise duty on motor spirit and diesel is increased by 0.418 cents per litre. Increases for aviation gasoline and aviation kerosene are 0.352 cents per litre and 0.334 cents per litre respectively. For other kerosene, fuel and heating oil the increase is 0.087 cents per litre.

Clause 12 - Provides that amendments in Schedule 10 shall operate from 16 August 1986

- . Covers - amendments to rates of Customs duty corresponding to altered rates of excise duty on certain refined petroleum products resulting from the Government's decision on pricing of indigenous crude oil set under the Import Parity Pricing Policy.

The excise duty on motor spirit and diesel is increased by 0.874 cents per litre.

Increases for aviation gasoline and aviation kerosene are 0.736 cents per litre and 0.699 cents per litre respectively. For other kerosene, fuel and heating oil the increase is 0.181 cents per litre.

Clause 13 - Provides that amendments in Schedule 11 shall operate from the hour of eight o'clock in the evening by standard time in the Australian Capital Territory on 19 August 1986

. Covers - Customs duty increases applying to imported manufactured tobacco and refined petroleum products. The increase of \$1.90 per kilogram in the rate of duty applicable to manufactured tobacco completes the alignment of the excise portion of the tobacco rate with the excise portion of the rate for cigarettes which was begun in the 1983 Budget.

The Customs duty increases to refined petroleum products are consequent on changes to the rates for the equivalent goods in the Excise Tariff Act 1921. The duty on motor spirit and diesel is increased by 3 cents per litre.

Increases for aviation gasoline and aviation kerosene are 2.526 cents per litre and 2.399 cents per litre respectively. For other kerosene, fuel and heating oil the increase is 0.622 cents per litre.

Clause 14 - Provides that amendments in Schedule 12 shall operate from 13 September 1986

. Covers - amendments to rates of Customs duty corresponding to altered rates of excise duty on certain refined petroleum products resulting from the Government's decision on pricing of indigenous crude oil set under the Import Parity Pricing Policy. The excise duty on motor spirit and diesel is decreased by 3.699 cents per litre. Decreases for aviation gasoline and aviation kerosene are 3.114 cents per litre and 2.958 cents per litre respectively. For other kerosene, fuel and heating oil the decrease is 0.767 cents per litre.

Clause 15 - Provides that amendments in Schedule 13 shall operate from 10 October 1986

- . Covers - the provision for the duty free entry of certain parts for use in the repair of ships in Australia. The changes in this Schedule form part of the Government's Ship Repair Package.

Clause 16 - Provides that amendments in Schedule 14 shall operate from 1 January 1987

- . Covers - the introduction of new Customs tariff assistance arrangements for goods falling within items 49.01 and 49.05 in Schedule 3 to the Principal Act to complement variations in bounty assistance for the production of books in Australia. The changes in this Schedule arise from the Government's consideration of the Industries Assistance Commission's report on Book Production.

Clause 17 - Provides that amendments in Schedule 15 shall operate from a date to be fixed by Proclamation

- . Covers - the imposition of a General tariff rate of \$2 100 per tonne on imports of cheese and curd falling within sub-item 04.04.9 in Schedule 3 to the Principal Act in excess of the 1985-86 level of 11 500 tonnes. Imports below this level would continue to be dutiable at a General tariff rate of \$96 per tonne.

This measure will be implemented, if necessary, as part of the new dairy marketing arrangements in order to provide stability and predictability to the market while the overall level of assistance to the industry is being reduced.





